

**Tax Division
Arkansas
Public Service Commission
P.O. Box 8021
Little Rock, Arkansas 72203**



Biennial Report

For The Years

2001 - 2002

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Sarah M. Bradshaw
Director
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December 1, 2002

The Honorable Mike Huckabee
Governor
State Capitol Building
Little Rock, AR 72201

Dear Governor Huckabee:

Pursuant to the provisions of Ark. Code. Ann. §26-24-121, the Tax Division of the Arkansas Public Service Commission submits herewith its Biennial Report for the years 2001-2002. This report shows the assessed value of the property of utilities and carriers which is certified to the various county assessors for placement on the tax rolls, as well as the assessed value of the property of certain carriers which is certified to the Department of Finance and Administration for collection of the tax.

The tax revenue resulting from utility and carrier assessments provides an important source of monetary support for the schools, cities, and counties of Arkansas. Furthermore, annual tax revenue resulting from the assessments certified to the Department of Finance and Administration is used to partially fund the Tax Division, the Assessment Coordination Department, and the Division of Local Affairs and Audits of the Division of Legislative Audits.

The assessments upon utility and carrier property in Arkansas as determined by the Tax Division have increased from \$2,217,287,820 in 2000 to approximately \$2,423,877,820 in 2002. This is an increase of \$206,590,000 in the two-year period and represents, an approximate gain of 8.52% in assessed value.

Sincerely,

A handwritten signature in cursive script, reading "Sarah M. Bradshaw".

Sarah M. Bradshaw
Director
Tax Division, P.S.C.

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MISSION STATEMENT

The Arkansas Public Service Commission is a pro-active, solutions-oriented agency that maximizes customer value and enhances the economic environment of the state. This is done by ensuring safe, reliable and reasonably-priced utility service; educating consumers to make independent and informed choices; and ensuring the fair and equitable ad valorem assessment and equalization of public utility and carrier property.

It is the mission of the Arkansas Public Service Commission Tax Division to efficiently and effectively render ad valorem assessments for utilities and carriers; to perform all duties regarding the ad valorem assessment of public utility and carrier property in a manner that is fair and equitable to all stakeholders; and to conduct its business in a manner that is responsive to all stakeholders and worthy of public trust.

INTRODUCTION

The Tax Division of the Arkansas Public Service Commission is responsible for performing all functions and duties regarding the annual assessment, for property tax purposes, of public utilities and carriers operating in Arkansas.

During 2002, the Tax Division evaluated the real and personal property of 473 telecommunications companies, 90 cable television companies, 30 electric companies and cooperatives, 12 gas companies, 7 pipeline companies, 3 water companies, 24 railroads, 342 private car companies, 18 airlines, 12 barge lines and 57,891 motor carriers for the purpose of ad valorem assessment. The market value of the utilities and carriers evaluated by the Tax Division in 2002 was approximately \$12,120,000,000, which represents an assessed value of approximately \$2,424,000,000 and an estimated property tax of approximately \$101,808,000.

In 2001, the Tax Division

evaluated the real and personal property of over 51,880 utilities and carriers. The assessed value of the utilities and carriers in 2001 was \$2,383,000,000 and the estimated property tax on the assessed value was \$97,965,000.

The property tax revenue resulting from the assessments made by the Tax Division is a significant source of monetary support for the schools, cities, and counties of Arkansas. In addition, Ark. Code Ann. § 26-26-1616 provides for an Ad Valorem Trust Fund, which is funded from revenues resulting from the Tax Division's assessments on carriers. The Ad Valorem Trust Fund to some extent is used to fund the Division of Local Affairs and Audits of the Division of Legislative Audits, the Assessment Coordination Department, and the Tax Division. The State Treasurer may transmit the remainder of the Fund to the respective counties in the state.

HISTORY

The origin of the Tax Division of the Arkansas Public Service Commission can be traced to Act 114 of 1883. That year, the General Assembly, under the authority of Article 16, Section 5, of the Constitution of 1874, created the Board of Railroad Commissioners. The Board was vested with the power of original assessment of certain railroad properties for the purpose of taxation. Subsequent acts have broadened the responsibilities of the Tax Division and placed the administration and enforcement of the property tax laws related to public utilities and carriers under the direction and supervision of the Arkansas Public Service Commission. In the years following the passage of Act 114 of 1883, the Tax Division's assessment responsibilities have been expanded to include the assessment of airlines, motor carriers, barge lines and utilities operating within the state of Arkansas, as well as railroads.

AGENCY ORGANIZATION

The Tax Division annually executes the duties of evaluating and assessing more than 58,950 utilities and carriers with an actual budget of less than \$700,000. In addition, with prior authorization, the Tax Division may access a contingency fund if needed in tax assessment appeals. The Division is authorized to employ a staff of fifteen full-time employees and five part-time employees. The Tax Division's positions include a Director, an Assistant Director, a Financial Analyst, a Program Support Manager, a Carrier & Systems Manager, two Management Project Analysts, a Research Project Analyst, an Accountant, three Tax Division Valuation Analyst II positions, and three Tax Division Valuation Analyst I positions, and five part-time positions.

ASSESSMENT PROCESS

Each year, the Tax Division mails Annual Report forms to the utilities and carriers to obtain the information needed for the assessment process. The companies are required to file the completed forms with the Tax Division by March 1, with the exception of motor carrier companies, which are required to file the completed report forms by March 31, and private railroad car companies, which are required to file the completed report forms by April 1. For good cause, utilities and carriers maybe granted an extension of not more than sixty days to file Annual Report forms. Companies that fail to file their Annual Report form within the time required are considered delinquent and are subject to penalties prescribed by law.

After the Annual Report forms are filed, the Tax Division begins the assessment process. In assessing each of the various types of utilities and carriers, the Tax Division must consider the economic and financial factors,

which impact the various industries, as well as those factors, which may affect a specific company's valuation. To accomplish this, the personnel within the Tax Division must have specialized knowledge of the industries assessed and stay abreast of the rapid economic, regulatory and technological changes taking place in the utility and carrier industries. As part of the assessment process, the Tax Division holds pre-assessment hearings when a pre-assessment hearing is requested by a utility or carrier.

After the assessments are determined by the Tax Division, the utility assessments are submitted to the Arkansas Public Service Commission for approval and the carrier assessments are submitted to the Arkansas State Highway Commission for approval. Once the respective Commissions approve the assessments, notice of assessments are mailed to each utility and carrier assessed. The utilities and carriers then have a ten (10) day period to file a formal appeal. When the appeal period has ended, the final

assessment amounts are certified on or before July 15th to the various County Assessors to be placed on the tax rolls, with the exception of the carrier assessments, which are certified at a later date to the Department of Finance and Administration. Appropriate millage rates are later applied to the assessments by the proper officials to produce the tax amounts to be billed and collected.

When a utility or carrier files a timely petition for review disputing its assessment, a hearing on the petition is held before the appropriate commission. The decisions of the Public Service Commission and the decisions of the Highway Commission on review of utility or carrier assessments maybe appealed to the Pulaski County Circuit Court. The Circuit Court's decision on an assessment appeal, if contested, maybe appealed to the Arkansas Supreme Court.

THREE YEAR COMPARISON 2000 - 2002

CLASS OF PROPERTY	2000 ASSESSED VALUE	2001 ASSESSED VALUE	2002 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	1,010,680	1,010,680	1,010,680	-
AIRLINE (SITUS)	1,003,030	3,798,000	5,223,860	1,425,860
BARGE LINE (SITUS)	31,770	29,400	29,400	-
BRIDGE				-
CABLE TELEVISION	48,462,420	65,681,330	77,478,220	11,796,890
CELLULAR TELEPHONE	70,914,390	96,622,540	98,682,320	2,059,780
ELECTRIC COOPERATIVE	333,000,690	349,515,020	367,544,890	18,029,870
GAS TRANSMISSION	188,313,910	185,378,830	181,310,260	(4,068,570)
MOTOR CARRIER (REAL)	4,289,000	4,777,110	5,756,850	979,740
PRIVATE CAR (SITUS)	2,938,500	3,111,050	4,297,950	1,186,900
PRIVATE ELECTRIC	634,139,450	658,481,840	700,788,440	42,306,600
PIPELINE	32,523,850	32,934,540	32,858,650	(75,890)
RAILROAD	130,398,001	140,871,630	149,378,700	8,507,070
RESELLER TELEPHONE	7,032,360	9,046,440	6,971,950	(2,074,490)
TELEPHONE	422,476,100	476,640,070	432,018,910	(44,621,160)
WATER COMPANY	3,831,970	4,007,600	4,141,130	133,530
TOTAL CERTIFIED COUNTIES	1,880,366,121	2,031,906,080	2,067,492,210	35,586,130
AIRLINE	19,927,640	24,154,970	21,851,160	(2,303,810)
BARGE LINE	2,981,330	2,828,040	2,489,050	(338,990)
MOTOR CARRIER	304,873,959	316,076,950	323,078,130	7,001,180
PRIVATE CAR	9,138,770	8,461,630	8,967,270	505,640
TOTAL CERTIFIED D.F.A.	336,921,699	351,521,590	356,385,610	4,864,020
GRAND TOTAL	2,217,287,820	2,383,427,670	2,423,877,820	40,450,150

TEN YEAR COMPARISON 1992-2002

CLASS OF PROPERTY	1992 ASSESSED VALUE	2002 ASSESSED VALUE	GAIN OR LOSS
ELECTRIC COOPERATIVES	238,658,400	367,544,890	128,886,490
PRIVATE ELECTRICS	622,376,660	700,788,440	78,411,780
GAS TRANSMISSION	165,486,780	181,310,260	15,823,480
TELEPHONES	310,854,837	432,018,910	121,164,073
WATER COMPANIES	705,590	4,141,130	3,435,540
RAILROAD COMPANIES	99,154,981	149,378,700	50,223,719
PIPELINES COMPANIES	23,322,580	32,858,650	9,536,070
BRIDGE	-	-	-
CABLE TELEVISIONS	25,561,690	77,478,220	51,916,530
CELLULAR TELEPHONES	4,770,800	98,682,320	93,911,520
RESELLER TELEPHONES	12,010	6,971,950	6,959,940
TOTAL CERTIFIED COUNTIES	1,490,904,328	2,051,173,470	560,269,142

2001 - 2002 COUNTY COMPARISON

COUNTY	2001 REAL	2001 PERSONAL	2001 TOTAL	2002 REAL	2002 PERSONAL	2002 TOTAL	GAIN/LOSS
ARKANSAS	1,546,640	13,089,942	14,636,582	1,560,120	12,677,286	14,237,406	(399,176)
ASHLEY	476,300	17,985,000	18,461,300	512,220	18,663,457	19,175,677	714,377
BAXTER	1,435,370	22,872,974	24,308,344	1,588,490	24,120,980	25,709,470	1,401,126
BENTON	13,287,559	77,982,123	91,269,682	13,422,860	80,234,658	93,657,518	2,387,836
BOONE	1,296,030	17,046,965	18,342,995	1,902,650	17,695,054	19,597,704	1,254,709
BRADLEY	516,610	5,245,445	5,762,055	533,720	5,072,963	5,606,683	(155,372)
CALHOUN	299,690	9,467,576	9,767,266	294,850	10,700,253	10,995,103	1,227,837
CARROLL	1,568,280	13,547,750	15,116,030	1,648,950	14,411,797	16,060,747	944,717
CHICOT	360,800	11,620,657	11,981,457	369,470	13,171,111	13,540,581	1,559,124
CLARK	1,646,110	19,505,973	21,152,083	1,743,900	18,508,045	20,251,945	(900,138)
CLAY	843,520	11,704,624	12,548,144	901,820	12,777,894	13,679,714	1,131,570
CLEBURNE	997,620	10,916,631	11,914,251	1,067,910	11,475,258	12,543,168	628,917
CLEVELAND	417,450	7,209,600	7,627,050	426,070	7,286,981	7,713,051	86,001
COLUMBIA	1,249,520	14,559,157	15,808,677	1,324,000	14,398,044	15,722,044	(86,633)
CONWAY	7,893,783	17,017,534	24,911,317	7,900,430	16,692,000	24,592,430	(318,887)
CRAIGHEAD	4,331,330	25,977,071	30,308,401	4,603,810	25,996,344	30,600,154	291,753
CRAWFORD	8,437,570	27,742,373	36,179,943	8,434,180	28,436,690	36,870,870	690,927
CRITTENDEN	3,106,460	30,591,811	33,698,271	4,173,990	29,309,018	33,483,008	(215,263)
CROSS	1,290,700	12,905,008	14,195,708	1,340,520	12,748,002	14,088,522	(107,186)
DALLAS	317,940	6,685,965	7,003,905	329,510	6,896,049	7,225,559	221,654
DESHA	14,403,360	19,633,488	34,036,848	14,664,620	19,845,638	34,510,258	473,410
DREW	740,680	10,146,314	10,886,994	787,950	9,622,341	10,410,291	(476,703)
FAULKNER	1,272,510	24,660,847	25,933,357	1,351,470	23,263,419	24,614,889	(1,318,468)
FRANKLIN	1,514,629	20,225,306	21,739,935	1,565,820	22,424,916	23,990,736	2,250,801
FULTON	442,330	8,282,465	8,724,795	442,310	8,625,852	9,068,162	343,367
GARLAND	3,078,420	29,778,383	32,856,803	3,222,130	28,284,147	31,506,277	(1,350,526)
GRANT	706,110	10,425,730	11,131,840	706,240	10,623,769	11,330,009	198,169
GREENE	1,392,790	13,482,203	14,874,993	1,488,630	13,312,501	14,801,131	(73,862)
HEMPSTEAD	1,541,960	17,946,666	19,488,626	1,713,450	18,359,208	20,072,658	584,032
HOT SPRING	4,405,260	35,443,538	39,848,798	4,465,670	34,966,147	39,431,817	(416,981)
HOWARD	908,670	10,662,241	11,570,911	863,950	10,603,642	11,467,592	(103,319)
INDEPENDENCE	18,243,750	89,072,982	107,316,732	18,324,620	85,560,309	103,884,929	(3,431,803)
IZARD	449,850	10,172,060	10,621,910	532,700	10,551,502	11,084,202	462,292
JACKSON	626,280	17,154,675	17,780,955	663,490	17,541,192	18,204,682	423,727
JEFFERSON	20,220,440	103,092,344	123,312,784	45,567,110	112,463,763	158,030,873	34,718,089
JOHNSON	318,720	13,713,619	14,032,339	323,690	14,003,811	14,327,501	295,162
LAFAYETTE	1,098,820	7,238,507	8,337,327	1,232,810	7,208,895	8,441,705	104,378
LAWRENCE	1,093,540	15,876,769	16,970,309	1,230,800	16,073,000	17,303,800	333,491

	(58,021)
	(168,727)
	(1,095,059)
	(387,829)
	(496,103)
	(362,649)
	(70,789)
	(11,328)
	(45,724)
	(310,451)
	(629,439)
	(15,258,308)
	(42,318)
	(3,158,087)
	(2,706,194)
	(502,554)